

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

SECTION I. MARKET OVERVIEW

Iraq has the highest fertility rate in the Middle East and its population is set to double in only twenty five years, probably reaching more than fifty million by 2040. Only Saudi Arabia and Iran possess larger proven oil reserves and oil exports are expected to be the cornerstone to expanding Iraq's nearly \$100 billion economy. Although the private sector is still relatively small, there is substantial demand for all types of consumer food products.

Iraq is highly dependent on food imports and, on average, about 70% of wheat and almost 90% of rice consumption is imported. Agriculture employs approximately 15% of the workforce and accounts for about 8% of GDP. Significant natural constraints on Iraqi agricultural production potential, strong population growth, and future increases in oil revenue make Iraq a potentially lucrative market for exporters of U.S. agricultural products.

Excluding wheat, U.S. agricultural exports to Iraq for 2009 are up 29% to \$155 million. Wheat is typically the largest U.S. agricultural trade item with Iraq. However, due to market conditions, 2009 U.S. wheat shipments to Iraq were zero, down from over \$772 million in 2008. Based on recent tenders, U.S. wheat sales should rebound in 2010. Iraq also buys significant quantities of U.S. rice (\$65 million in 2009) and poultry meat (nearly \$87 million in 2009). Sales of tree nuts, vegetable seeds, and bakery ingredients all showed growth, albeit from a small base. U.S. consumer-ready packaged foods are also imported into Iraq but through middlemen and in unknown amounts. U.S. products with good market prospects include frozen beef, frozen chicken, lentils, chickpeas, confectionery and apples.

Price remains the driving factor in most sales of food products to Iraq but this is changing. Branding of imported foods is beginning to take hold (e.g., frozen poultry) and should expand in the coming years. At the lower end of the market, the Iraqi government's massive 'Public Distribution System' provides billions of dollars worth of free flour, rice, cooking oil, sugar, and other foods which crowds out commercial sales and hinders the growth of the private food retail sector. Supplying commodities for use in the Public Distribution System has been lucrative for some U.S. firms, especially for grains, but the tendering system for other commodities is complicated, highly competitive and requires local knowledge of procurement practices.

While reliable import data are often not available, main competitors in the agricultural segment include Turkey (fruits, vegetables, processed foods, wheat flour) and Iran (vegetables and fruits). Jordan and Syria also supply fruits and vegetables but also serve as major transit routes for imported agricultural goods. Kuwait is also a transit route into Iraq, particularly for frozen poultry.

Official tariffs are relatively low and do not impede trade. However, administration and control issues at border crossings, phytosanitary barriers, and an opaque official import processes do pose challenges for U.S. firms exporting to Iraq.

Please see the USDA Iraq country page at <http://www.fas.usda.gov/country/Iraq/Iraq.asp> for links to other reports. For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/6804.htm>

Advantages and challenges facing U.S. food and agriculture exporters:

Advantages

- Iraqi oil revenues are expected to triple in the next five to seven years.
- Iraq's population of nearly 30 million is growing rapidly.
- U.S. brands are respected.
- Official tariffs remain low.
- Availability of mass media to increase consumer awareness.
- Strong Iraqi dinar makes imported foods more affordable.
- Iraqi domestic agricultural production faces constraints, such as the availability of irrigation and arable land.
- Iraqi poultry consumption is just one third of surrounding countries and there is significant opportunity for growth.
- U.S. wheat and rice have commanding market shares.

Challenges

- Security precautions make it expensive for U.S. companies to visit Iraqi clients and assess the market.
- Unofficial import barriers and fees add element of risk.
- The Iraqi government is the primary buyer of wheat and rice. Consumers receive these and other commodities for free, which undermines the commercial branded market.
- Domestic food distribution systems are inefficient. Modern super or hypermarkets are almost nonexistent.
- In some regions, power outages make cold chain management more difficult.

SECTION II. EXPORTER BUSINESS TIPS

Partners

In assessing opportunities in the Iraqi food import market, a key consideration is finding and working with an Iraqi partner. Whether you are looking for a buyer, agent, distributor, or representative, having a reliable Iraqi partner will provide critical on-the-ground expertise to guide you or your product

through the local bureaucracy. Iraqi partners can also give you a clear picture of which marketing channels make the most sense for your product. Local partnerships are also an excellent way to gauge the market and gain product recognition, and they are a good stepping stone to a larger presence in the Iraqi market as your business develops. Food trade shows, services offered by the U.S. Embassy, and programs run by Iraqi regional governments (see the 'Key Contacts' section below) are ways to initiate relationships with Iraqi partners.

Marketing

Trade promotion is a developing industry in Iraq. As more products enter the market the demand has increased. The local press and television networks are perhaps the two most effective tools for advertising and trade promotion. Billboards are also used as well as magazines. Iraq has about sixteen major newspapers that may serve as an advertising medium for various products.

In general, the activities of U.S. food companies in Iraq have been limited to simple sales and have not yet fully incorporated branding, licensing, franchising or other hallmarks of mature business-to-business relationships. Iraqi businessmen are still gaining exposure to standard international business norms, such as standard contracting and tendering procedures.

Business Practices

Commercial contracts are not yet backed up by effective enforcement of contract law and most successful food sales are done on cash or on a Letter of Credit basis. Moreover, international arbitration of commercial disputes is not sufficiently supported by Iraqi law. It would be otherwise challenging for foreigners to adjudicate commercial disputes within the Iraqi legal system.

Regulation

The way in which the Iraqi government promulgates regulations is opaque and lends itself to arbitrary use. Regulations imposing duties on citizens or private businesses are required to be published in an official Gazette. However, internal Ministerial regulations are not and this loophole allows bureaucrats to create internal requirements or other procedures with little or no oversight. Corruption in all areas remains a significant problem. Often, U.S. food suppliers will sell on a cash basis directly to Iraqi importers so as not to interact directly with Iraqi regulatory officials.

The Iraqi Dinar is convertible and there are not restrictions involving currency exchange as long as underlying transactions are supported by valid documentation.

Security

Security remains a serious concern for both domestic and international businesses. However, the decline in violence and acts of terrorism throughout Iraq in 2008 and 2009 have been matched by increased interest in business opportunities. Security, though vastly improved, still must be factored in to business decisions and the security situation varies significantly throughout the country at any given time. U.S. businesses considering traveling to Iraq should consider contracting with private security firms to assist with transportation, scheduling, lodging, and travel logistics. A contact list of known security firms is included in the 'Key Contacts' section of this report.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

According to the Iraqi Chamber of Commerce, there are approximately 100,000 officially registered private food retailers in Iraq. Total annual sales for the food stores are estimated at \$2 – \$3 billion annually. In recent years, overall sales among registered retailers have grown modestly at a few percentage points per year.

The Chamber divides registered stores into the following categories based on their capitalization. Industry sources also suggest that there are about 200,000 unregistered smaller food retailers.

Retails Store Outside of Baghdad	
Ninawa	10,000
Al – Bashra	7,700
Di – Qar	5,750
Babylon	5,000
Sulaimaniya	5,500
Al – Anbar	4,500
Erbil	4,500
Dayala	4,000
Karkuk	3,750
Salah aldeen	3,750
Al – najaf	3,750
Wassit	3,500
Al- Qadisiya	3,500
Missan	3,200
Duhok	3,200
Karbala	3,200
Al – Muthana	2,250
Source: Iraqi Chamber of Commerce	

Retailers generally purchase most items from established wholesalers and from specific wholesale markets. For example, in Baghdad, the Jameela and Shorja markets sell dry goods and fruits and vegetable wholesalers are located in the Al –Dura and Jameela sections of the city. Wholesalers reportedly regularly extent 30 day credit on sales made to retailers

Nationwide, there are also several thousand government-supplied Public Distribution System stores where Iraqi's receive for free basic foodstuffs, such as rice, flour, vegetable oil, and sugar. However, product quality and availability in these stores is highly variable and many Iraqis choose to use private food retailers. Public Distribution stores are not allowed to sell commercially food products outside of the government's rationing program.

Restaurants

Detailed information on the hotel, restaurant, and institutional (HRI) food sector is difficult to come by for Iraq. The Iraqi Chamber of Commerce reports they have about 15,000 restaurant members nationwide. For Baghdad, there are about 3,200 registered restaurants.

Number and Scale of Restaurants (based on capitalization)

Capitalization	Baghdad
greater than \$250,000	15
greater than \$100,000	60
greater than \$50,000	1,800
greater than \$25,000	700
greater than \$10,000	630
greater than \$ 5,000	1,560

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Iraq's demand for food is growing as consumer regain purchasing power and consumer re-connect to international food markets and brands. The combined effect of a booming population and the return to a richer diet should drive basic food demand even higher.

Over 10 million of Iraq's nearly 30 million people are age 14 or younger. This in itself represents a major marketing opportunity for U.S. suppliers because food consumption patterns for younger populations tend more toward the "westernized" and this age group is more receptive to new and innovative brands and food types. In the future, as incomes grow, the youth could have a dramatic influence on demand for dairy products, cookies, snacks foods, confectionary, packaged cereals, and soft drinks.

Outside of the 'youth' and consumer-ready segments, frozen beef, frozen chicken, lentils, chickpeas, confectionery, apples look to hold good prospects for U.S. exporters.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

American Embassy Baghdad

USDA's Foreign Agricultural Service is has officers based Iraq to support U.S. companies interested in the market. For assistance, please contact:

U.S. Department of Agriculture

Office of Agricultural Affairs

American Embassy, Baghdad, Iraq

Phone: 1-240-553-0581 extension 2051

Email: baghdadag@state.gov

Website: http://iraq.usembassy.gov/iraq/foreign_ag_service.html

U.S. Mailing Address: Unit 2024, Box 226, APO, AE, 09870-0226

General information about programs, resources, and services is available on the Internet at:

<http://www.fas.usda.gov>.

Iraqi Food and Business Associations

Iraqi League of Foodstuff Merchants

Email: info@iraqilofm.org

<http://www.iraqilofm.org>

Prominent Food Retailers

Points of contact for three major food retail companies operating in Iraq are provided below.

Al – Khalij

Based in Baghdad

Email: alkaleejtrade@yahoo.com

Al – Janaby

Based in Baghdad

Email: alhakkak@orang.jo

Al – Haifa Company

Based in Baghdad

Email: Alhafa2004@yahoo.com

Market Research and Consulting Firms

Asharq Research Agency

Mr. Haitham H. Numan

Phone: :+964-7704446660

Email: info@asharqcenter.com

www.asharqcenter.net

IIACSS

Dr. Munqith M. Dhaghiir

Phone: +964) 1 719 3805

www.iiacss.org

Triple A

Phone: 964-7504-832540

Email: info@tripleairaq.com

www.tripleairaq.com

Business Matching

There are other organizations in Iraq that claim to help local Iraqi firms match with foreign firms and provide other business services. These include:

Baghdad Business Center

<http://www.baghdadbusinesscenter.org/>

Kirkuk Business Center

<http://kbciraq.org/>

Basra Business Center

<http://www.basrabusinesscentre.com/>

Travel Requirements

For information on visa requirements for U.S. citizens, please see:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1144.html

Security

These following sites contain essential security and safety information on travel to Iraq.

U.S. Department of State's Travel Warning:

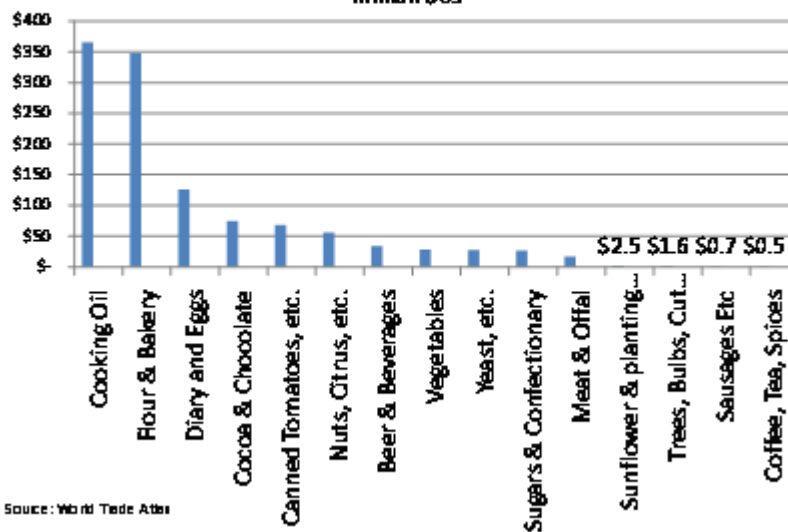
http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html

The Private Security Company Association of Iraq has an excellent [website](http://www.psc.ai.org/pscmembers.html) that includes listing of its members providing security services to visiting U.S. businessmen (see: <http://www.psc.ai.org/pscmembers.html>)

A. KEY TRADE & DEMOGRAPHIC INFORMATION

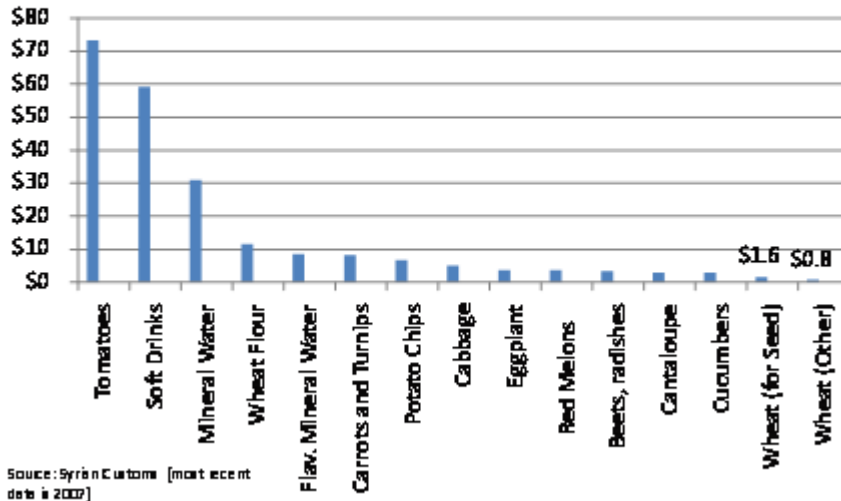
Top Turkish Agriculture Exports to Iraq

(CY2008)
Million \$US



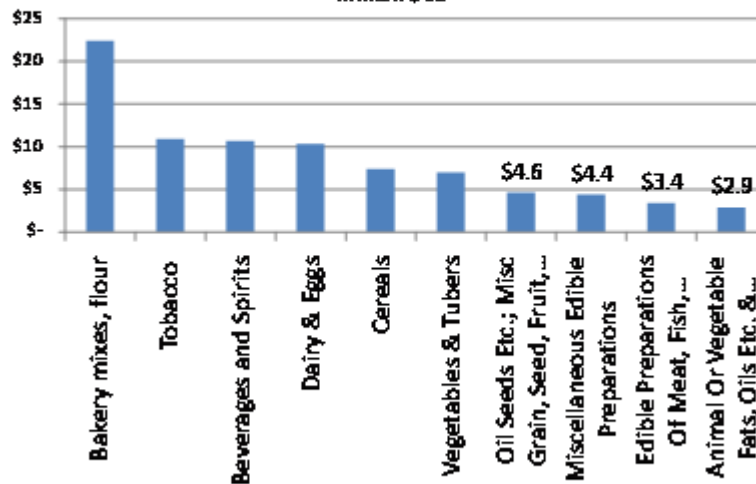
Top Syrian Agriculture Exports to Iraq

(2007)
Million \$US



Top French Agriculture Exports to Iraq

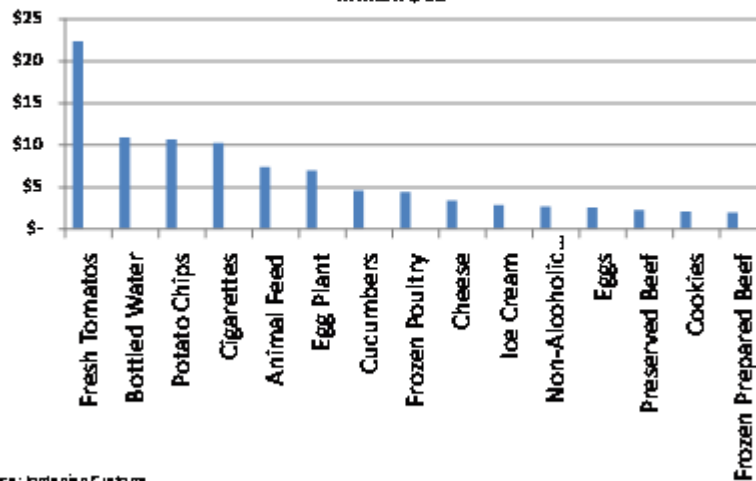
(2008)
Million \$US



Top Jordanian Agriculture Exports to Iraq

(Jan-Nov 2009)

Million \$US



Source : Jordanian Customs

Population of Iraq, 1957-2006

(COSIT data)

